

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**COLOMBIA**

**SUPPORTING CLUSTER COMPETITIVENESS**

**(CO-M1002)**

**DONORS' MEMORANDUM**

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## ANNEXES

Annex I	Logical framework
Annex II	Itemized budget
Annex III	Matrix of related projects

### **INFORMATION AVAILABLE IN THE TECHNICAL FILES**

- Approved project profile
- MIF eligibility memorandum
- By-laws of the University of the Andes
- Financial statements and balance sheet
- Letters of commitment from the University of the Andes and the Government of Colombia
- Methodology for evaluating outcomes of projects to integrate SMEs into supply chains
- MIF programming mission report, 11 to 13 December 2002
- Mission reports for project preparation phases: (i) 2 to 12 April 2003; (ii) 15 to 21 March 2004
- Project MPPMR
- Terms of reference: program director, operations manager, and subproject officers

## **ABBREVIATIONS**

CARCES	Comités asesores regionales de comercio exterior [Regional Advisory Committees on Foreign Trade]
IDB	Inter-American Development Bank
MPPMR	MIF Project Performance Monitoring Report
MIF	Multilateral Investment Fund
PEC	Program Executive Council
PEU	Program executing unit
SMEs	Small and medium-sized enterprises
RCC	Red Colombiana Compite
WEF	World Economic Forum

## COLOMBIA

### SUPPORTING CLUSTER COMPETITIVENESS (CO-M1002)

#### I. EXECUTIVE SUMMARY

<b>Executing agency:</b>	University of the Andes	
<b>Beneficiaries:</b>	The project will help at least 400 firms, including at least 360 small and medium-sized enterprises (SMEs) in various industries, to perform more competitively.	
<b>Financing:</b>	MIF financing (III-A):	US\$3,450,000
	Counterpart:	US\$2,530,000
	Local:	US\$5,980,000
<b>Execution timetable:</b>	Execution:	48 months
	Disbursement:	54 months
<b>Objectives:</b>	<p>The <b>goal</b> of this project is to establish a public-private institutional mechanism with nationwide coverage to support the competitive development of clusters, capable of producing verifiable improvements in the competitiveness of participating firms. The <b>purpose</b> of the project is to implement a competitively awarded cluster development support program, using efficient and transparent procedures and promoting partnerships among firms, mainly through outreach units in the clusters.</p>	
<b>Project description:</b>	<p>The first component of the project calls for establishing a system for selecting and supporting the implementation of cluster subprojects. This mechanism: (i) will operate as a private, second-tier entity; (ii) will be clearly activated by cluster demand; (iii) will perform the function of allocating resources (second tier), keeping that function separate from those functions directly related to conducting activities (first tier); and (iv) will operate through a known and transparent competition-based system. This way, at least eight cluster initiatives in various parts of Colombia are expected to be identified and, through the second component, provided with financial and technical support. Lastly, so that this project can be effectively codified and the experience from it transferred, a third component focuses on monitoring, evaluation and generation of information on lessons learned, best practices and implications for sustainability of the mechanism.</p>	

<b>Special contractual clauses:</b>	<p>As conditions precedent to the first disbursement, the University of the Andes will present to the Bank's satisfaction evidence that: (i) the Program Operations Manager has been selected, in accordance with Bank procedures; (ii) the program's Executive Council has been established; (iii) the Executive Council has approved the program's Operating Regulations; and (iv) the program executing unit has been established.</p> <p>The University of the Andes undertakes to submit to the Bank's satisfaction, during the first three months of program execution, the schedule of disbursements and a plan of activities for the first year of the program, once this has been approved by the Executive Council.</p> <p>The disbursement of funds earmarked for the second component may only begin when the respective participation agreements between the University of the Andes and the entities sponsoring the forerunner subprojects have been signed. Each participation agreement will require the Bank's nonobjection.</p>
<b>Exceptions to Bank policy:</b>	<p>See section on procurement and contracts (paragraphs 5.8 and 5.9).</p>
<b>Environmental and social review:</b>	<p>The Committee on Environment and Social Impact (CESI) reviewed and approved the project abstract at its meeting 12-04 of 26 March 2004, and its recommendations have been incorporated into this document (paragraphs 8.1 and 8.2).</p>
<b>Coordination with other donors:</b>	<p>Not applicable.</p>

## **II. BACKGROUND**

### **A. The domestic context**

- 2.1 With the economic liberalization of the late 1980s and early 1990s, Colombia began to explore competitiveness strategies. One of the first steps in this direction was a government-financed study to examine the competitive situation of seven of the country's economic sectors and the subsequent formulation of recommendations for the clusters studied and for public action.<sup>1</sup> The competitive platform of five

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<sup>1</sup> Study conducted by the Monitor Group, based in Cambridge, Massachusetts, and associated with Michael Porter.

Colombian cities was studied in 1994-95, and Bogota's in 1996-97. As a result of these studies, many individuals and organizations in Colombia are now familiar with the concept of clusters and their impact on the competitive development of businesses.

- 2.2 Initial efforts have evolved over time and today are reflected in the "*Red Colombia Compite*" (RCC), which includes four components: (a) the **Comités Asesores Regionales de Comercio Exterior** [Regional Advisory Committees on Foreign Trade] (CARCEs), departmental consensus-building bodies; (b) the **Export Competitiveness Agreements** that promote public policy changes relating to productive sectors; (c) the **Specialized Networks**, national consensus-building bodies; and (d) the "**Facilitation Node**," consisting of the Office of the President of the Republic, the National Planning Department, and the Ministry of Trade, Industry and Tourism, in charge of proposing, monitoring, evaluating and adapting the RCC's operational strategy.

## **B. MIF and Bank strategy**

- 2.3 This project is directly related to the strategic areas that seek to: (i) boost the economy and promote competitiveness; and (ii) increase institutional presence throughout the country. Following a MIF programming mission in 2003, a study was conducted that identified eight clusters with some level of startup in various parts of the country. On the supply side, in terms of services and promotional bodies working closely with SMEs, there are: (1) chambers of commerce throughout the country, with funds generated in large measure by their regulatory activities (the commercial registry), and a tradition of support for businesses; (2) Technology and Production Development Centers; (3) universities that have close links to local firms; and (4) consultants familiar with providing development services to SMEs.
- 2.4 This eleventh project in the "small business networks and supply chains" cluster has taken into account in its design the lessons learned and best practices gleaned by consulting services engaged by the Micro, Small and Medium Enterprise Division of the Sustainable Development Department (SDS/MSM) and the MIF to evaluate production chain projects in the following areas: factors to be considered in their formulation, incorporation of baseline evaluation of participating businesses, and monitoring and oversight.

## **C. Rationale and focus of project**

- 2.5 Colombia's efforts, including the RCC, have succeeded in improving the business climate in the country. In fact, during the period 2001-2003, Colombia showed the greatest improvement of any Latin American country in the World Economic Forum's Growth Competitiveness Index. Yet, while there have been some isolated initiatives of support for clusters or supply chains, Colombia has yet to develop a



mechanism to rationalize this support and to draw systematic lessons about the most effective ways to promote business networking.

- 2.6 The lack of a replicable strategy to promote SME competitiveness by creating partnership structures among them and by strengthening the competitive advantages of existing clusters is a severe constraint on the development potential of Colombian SMEs. These firms are limited because they cannot achieve economies of scale, nor can they take advantage of the economies of clustering, because they lack a joint strategy. Moreover, the potential advantages of flexibility that SMEs enjoy are not fully developed in the absence of a strategy for specialization and linkage among them.
- 2.7 International experience with cluster support programs<sup>2</sup> was considered in the approach adopted for the project. In particular, the following elements were taken into account, which enhance the chances of success: (a) the selection of the clusters to be supported by means of a competitive process; (b) active participation by entrepreneurs in the clusters; (c) private sector leadership of the cluster, with active public sector participation; and (d) strategic coordination among the various stakeholders at the local level.
- 2.8 This project complements several MIF projects executed in Colombia since 1998 for the development of entrepreneurial capacities, business services, and cluster competitiveness, such as the Isabella Grape project (ATN/ME-6755-CO) and the project for the garment industry in the coffee belt (ATN/ME-7855-CO). The current project, however, introduces an innovative element by promoting an institutional framework in which private entities play the leading role, and which will systematize know-how and lend sustainability to future efforts to promote clusters and networking strategies in order to enhance SME competitiveness in Colombia.

#### **D. Value added by the MIF**

- 2.9 In addition to helping enhance the competitiveness of a significant number of firms and adding value to the clusters that bring them together, this project also seeks to establish a transparent, market-driven mechanism under private management, combining public and private decision-making bodies, to sustain the capacity to support productive development and upgrading in various regions of the country. This project is expected to introduce innovation into the work relationship between the public and private sectors, where the public sector moves from promoting to facilitating competitiveness and the private sector assumes the role of "main implementor".

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<sup>2</sup> The following studies were used: (a) Orjan Solwell, Goran Lindqvist and Christian Ketels, *The Cluster Initiative Greenbook*, August 2003; and (b) Mitchel Group, *Promoting Competitiveness in Practice-An Assessment of Cluster-based Approaches*, September, 2003

- 2.10 The project will support efforts to promote social capital in the clusters, i.e. activities and initiatives that generally involve partnerships, which would not be profitable from the viewpoint of an individual firm, but can contribute significantly to the competitiveness of the cluster's firms as a whole. In addition, this mechanism will generate information on the needs of businesses and clusters, and thus will provide valuable guidance for the option of formulating public policies that promote business competitiveness.

### III. OBJECTIVES AND COMPONENTS

- 3.1 The **goal** of this project is to establish a public-private institutional mechanism with nationwide coverage to support the competitive development of clusters, capable of producing verifiable improvements in the competitiveness of participating firms.
- 3.2 The **purpose** of the project is to implement a competitively awarded cluster development support program, using efficient and transparent procedures and promoting partnerships among firms, mainly through outreach units in the clusters.
- 3.3 **Components and activities:** The first component of the project calls for establishing a system for selecting and supporting the implementation of cluster subprojects, under the following conditions: (a) it will operate as a private or semiprivate entity; (b) it will be activated by cluster demand; (c) it will distinguish between second-tier<sup>3</sup> and first-tier functions;<sup>4</sup> and (d) it will operate with a publicly known and transparent competition system that includes an independent committee for allocating funds, with a public and private institutional presence. This way, at least eight cluster initiatives or subprojects in various parts of Colombia will be identified and supported financially. Execution of the selected subprojects is part of the second component. The project includes a third component for monitoring, evaluation and generation of information on best practices, to codify and transfer the experience.

**1. Component 1. Implementation of the mechanism for selecting and supporting cluster initiatives (MIF: US\$253,600; counterpart: US\$231,000)**

- 3.4 This component provides for the notice of competition, evaluation, selection and support for the detailed formulation of subprojects for strengthening clusters. These activities will occupy at least 50% of the Manager's and the Program Director's time, and will have support from *project officers*, professionals who are graduates of a business administration program or other university school. These

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<sup>3</sup> Operation of the mechanism, allocation of funding, project progress monitoring, evaluation, benchmarking, institutional learning.

<sup>4</sup> Sponsorship, coordination and promotion of cluster projects by entities based in the clusters.

professionals will be engaged on a part-time basis for specific executing unit tasks and for established periods of time throughout the program, as needed for the selection, design and implementation of the subprojects. This component includes the following activities:

- 3.5 **Outreach.** The program will be publicized taking into account the need to inform the largest possible number of potential beneficiaries and sponsor entities about the notice to submit cluster development projects,<sup>5</sup> with special emphasis on securing broad participation in the country's different regions. The planned activities include: (i) preparation of outreach materials; (b) a special event for launching the program; (iii) seven public meetings in various regions of the country to explain the program to potential beneficiaries; (iv) creation of a web site with full information on the program. This activity will also provide a platform for networking the subprojects, as well as an instrument for monitoring them during project execution; and (v) announcements in national newspapers and a few local ones.
- 3.6 **Selection and formalization process.** The University of the Andes will conduct this process through the program's executing unit (PEU), the personnel provided for, the Technical Committee and the Executive Council. The PEU may also hire specific technical support. The process will involve three phases, following standard procedures: each phase will require the delivery and processing of sequential models of the forms for presenting the subprojects (which is attached to the Operating Regulations) and will pertain to each stage in the selection of subprojects. The Bank will participate in each stage by providing the respective nonobjection.
- a. Phase I: the sponsor entities will participate by completing a simple checklist (module 1, Operating Regulations, Annex I) that states the characteristics of the sponsoring institution, the characteristics of the sector that forms the core of the cluster, and a profile of the project.
  - b. Phase II: the eligible proposals will have to be developed in greater detail using module 2 (Operating Regulations, Annex I). The PEU will hold a training workshop for the sponsor entities whose projects have been preselected, with topics such as the definition and characteristics of a cluster, the design structure for a project, and the logical framework.
  - c. Phase III: proposals that have made it through the second filter will be developed into projects (Module 3, Operating Regulations, Annex I), under the active guidance and cooperation of the project officers.

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<sup>5</sup> A first notice of competition is expected to be issued during the second six-month period of program execution. If the number of proposals submitted is insufficient, a second notice of competition will be issued, still in year one of execution.

- d. Phase IV: each subproject developed will be submitted to the Bank for nonobjection and to the program's Executive Council for approval. In order for any disbursement associated with the execution of a subproject to be processed, following the Bank's nonobjection, the University of the Andes and the sponsor entity will sign the respective participation agreement.

- 3.7 **Support for subproject implementation.** The PEU will provide support to the first-tier sponsor entities during the different execution phases of the subprojects. In this respect, the PEU may act in response to requests from those institutions, or on the basis of indications from subproject monitoring and evaluation. The PEU will also perform some support activities identified on the basis of MIF experience, such as: (i) training for subproject directors and the sponsor entities themselves to help them improve the operational and financial management of the subprojects; (ii) establishment of a database on consulting services and technical assistance contracted during the execution of the subprojects and of the program as a whole; (iii) at least three coordination, exchange and best practices recognition workshops involving the subprojects.

**2. Component 2. Cluster subprojects and business networking (MIF: US\$2,626,000; counterpart: US\$1,986,000)**

- 3.8 This component will finance at least eight cluster and business networking subprojects, selected through the process described. The initiatives will vary in their structure and design, but the subprojects will have certain standard features: (i) the main objective will be the implementation of a list of partnership activities aimed at enhancing the competitive advantages of each cluster and the processes for specialization and linkage of the SMEs within the cluster; (ii) they must meet the program's and the MIF's eligibility criteria (size of firm, ineligible sectors, and environmental and social conditions); (iii) they will use a common monitoring and evaluation methodology to be implemented by the PEU for this activity for the program; and (iv) they will apply the procedures stipulated in the contract between the IDB/MIF and the University of the Andes.
- 3.9 The structure of the subprojects is to be consistent with that defined in the MIF project cluster on "small-business networks and supply chains" and will take account of lessons learned in that context (paragraph 2.4). In particular, as in forerunner projects, the design of the projects will include the following main components: (i) promotion of productive linkages, creation of business networks and partnership work plans; (ii) technical assistance for carrying out the plans to improve the competitive performance of the businesses; (iii) developing the specific competitive advantages of the cluster that will enhance member firms' competitiveness and market presence.

- 3.10 The following table summarizes the main characteristics of the two subprojects selected as forerunners during program preparation, based on a group of seven preliminary proposals evaluated.<sup>6</sup>

**Table 1: Summary of forerunner subprojects**

Name of subproject	“Salud Capital” export medical services cluster	Leather and footwear cluster in Cali and adjoining areas
Sponsoring entity, location of cluster	Bogota Chamber of Commerce, Bogota	Production development Corp. for leather, footwear and leather goods, Cauca Valley
Summary of objectives	Strengthen business partnerships in five strategic subnetworks for the cluster; increase productivity and quality; better R&D linkage; design of business strategies.	Restructure cluster production to boost competitiveness.
Number of participating enterprises (that invest resources in the project)	Initial: 15 enterprises already in “Salud capital” partnership; target: 60 enterprises in five strategic subnetworks	Initial: 15 enterprises. Meta: 150 enterprises.
Component to promote production linkages and networks	Component 1: alliance building, establishment of business partnerships	Component 2: linkage and productive integration of the cluster
Component to increase access to TC to improve performance of enterprises	Component 2: boost productivity and enhance quality	Component 3: innovation and productivity
Development of cluster’s specific advantages	Component 4: design business strategy	Component 1: development of international markets
Other components specific to each subproject	Component 3: technology R&D	Component 4: development of critical input suppliers

### **3. Component 3. Monitoring, evaluation, and dissemination of lessons learned (MIF: US\$266,600; counterpart: US\$98,800)**

- 3.11 The PEU will perform timely monitoring of the subprojects, and will ensure that the experience gained is systematized and disseminated through the appropriate forums and media.
- 3.12 **Monitoring and tracking system.** The PEU will be responsible for: (i) designing and implementing a baseline for each project and defining critical indicators for monitoring and evaluation; and (ii) defining a common monitoring system. The methodology used and the system itself will take account of progress under the MIF’s “project cluster”; and (iii) hiring consultants to conduct midterm and final evaluations of each subproject. The PEU will attempt to achieve economies of scale by combining work on several subprojects whenever possible.
- 3.13 **Systematizing the experience and lessons learned.** The PEU will have to systematize experience gained through the subprojects, compiling results and

<sup>6</sup> The information related to this evaluation is contained in the reports from the identification mission of 2 to 12 April 2003, and the orientation mission of 15 to 20 March 2004.

lessons learned, seeking to identify critical aspects and methodological pointers for passing this experience on more easily. Systematizing experience with implementation of this mechanism for identifying, selecting and supporting subprojects will be another task of the PEU. For these activities the PEU may draw upon information sources created by the program (the monitoring system, evaluations). It may also hire experts to develop case studies that will illustrate some of the more significant lessons learned in greater depth.

- 3.14 **Dissemination.** The dissemination of the program's results and of the lessons learned will be done through various means, including publications, seminars throughout the country, in which the PEU will be invited to present the program's experience, and the web site, which will provide access to all these activities. An international event is also planned for year four of program execution, at which the experience will be presented, along with implications and opportunities in terms of sustainability and future replicability.

#### IV. COSTS AND FINANCING

- 4.1 **Costs.** The total cost of the program is US\$5.98 million, of which 57.7% will be covered by the MIF (US\$3.45 million) and 42.3% by the counterpart (US\$2.53 million), i.e. by the executing agency. The counterpart contribution in turn will be made in cash (55%) and in kind (45%). Up to 16% of the local counterpart will be provided by the Government of Colombia and up to 78% of the counterpart will be committed by the sponsor entities for the group of subprojects to be executed. Component 2 (cluster subprojects and business networking) represents 78% of the overall program budget. Table 2 below presents the summarized budget for the program.

**Table 2: Budget (US\$000)**

	MIF	COUNTERPART			TOTAL	MIF %	COUNTERPART %
		IN KIND	IN CASH	SUBTOTAL			
1. Program executing unit	223.8	73.4	140.8	214.2	<b>438.0</b>	51.1	48.9
2. Mechanism for selection and support of cluster projects	253.6	64.5	166.5	231.0	<b>484.6</b>	52.3	47.7
3. Execution of cluster subprojects	2,626.0	978.0	1,008.0	1,986.0	<b>4,612.0</b>	56.9	43.1
4. Monitoring, evaluation, and dissemination	266.6	17.1	81.7	98.8	<b>365.4</b>	73.0	27.0
5. Contingencies	40.0	0	0	0	<b>40.0</b>	100.0	0
<b>Subtotal</b>	<b>3,410.0</b>	<b>1,133.0</b>	<b>1,397.0</b>	<b>2,530.0</b>	<b>5,940.0</b>	<b>57.4</b>	<b>42.6</b>
6. MIF cluster monitoring	40.0	0	0	0	<b>40.0</b>	100.0	0
<b>Total</b>	<b>3,450.0</b>	<b>1,133.0</b>	<b>1,397.0</b>	<b>2,530.0</b>	<b>5,980.0</b>	<b>57.7</b>	<b>42.3</b>

- 4.2 MIF funds will be used for the most part to finance execution of the cluster subprojects, the evaluation and monitoring component, and implementation of the mechanism for selecting and supporting subprojects. In the subprojects planned under component 2, the program may finance up to 50% of training and direct technical assistance for participating firms, with a limit of US\$7,500 per firm for the entire program.
- 4.3 An amount equivalent to US\$40,000 will be administered by the MIF for activities relating to the productive integration cluster, in accordance with document MIF/GA-14-1 (paragraph 3.14). This amount is slightly higher than that of other projects, in recognition of the greater costs involved in monitoring the subprojects. It will be deducted from the contribution as of the effective date of the Letter of Agreement on Technical Cooperation for this operation, and the executing agency will not have to submit a formal disbursement request.
- 4.4 **Sustainability.** The Colombian government has declared an interest in using this instrument, if it proves successful, for mobilizing resources and know-how to strengthen the country's SMEs. The University of the Andes is also interested in enhancing the sustainability of the mechanism, and is seeking to maintain its second-tier role as a strategic function of the Competitiveness Center, in order to generate and disseminate information at the national and international levels about cluster development initiatives.
- 4.5 Sustainability of the subprojects is based on the following factors: (i) firms will have improved their sales, and this will have a demonstration effect on other firms in the same or other sectors, which will be willing to sign up and pay for the joint services they receive; (ii) the firms will continue to strengthen joint strategies and

plans; (iii) staff from the sponsor entities will be trained to help their members and clients to pursue the business networking approach in appropriate ways.

## V. EXECUTING AGENCY AND IMPLEMENTATION MECHANISM

### A. Executing agency

- 5.1 The executing agency is the University of the Andes. The executing unit will be the Competitiveness Center of the University's College of Business Administration. The University was selected from among five institutions that were invited to submit proposals for implementing a cluster support program. Four of those institutions submitted proposals. The selection committee, consisting of two officers from Bank headquarters, one from the Country Office in Colombia, and one from the MIF, evaluated the proposals and selected the one submitted by the Competitiveness Center of the University's College of Business Administration.
- 5.2 The University of the Andes is an independent institution of recognized academic excellence and sound management. It recently created a Competitiveness Center, located in the College of Business Administration, with support from Harvard University's Institute for Strategy and Competitiveness. The Center's mandate is to coordinate interfaculty efforts in the area of competitiveness. The College of Business Administration is one of three education institutions in Latin America that has been awarded accreditation by EQUIS, the European Quality Improvement System that certifies achievement of the highest quality standards in the world's business schools. The College was also accredited by the National Accreditation Council for nine years as the country's leading business school. It also stands out for its capacity to execute and coordinate programs and projects (Bunkenroad Reports, IESO (Initiatives in Social Entrepreneurship), *Empreandes*, *Centro Guia* and *Expopyme*, among others) that are nationwide in their coverage and are based on effective interaction with businesspeople and with the public sector.

### B. Project implementation

- 5.3 **Execution mechanism.** To implement the project, the University of the Andes will set up an executing unit (PEU) which will report to the Bank, and a Program Executive Council (PEC), within the College of Business Administration. The PEC will be comprised of representatives from the public and private sectors and will establish operating guidelines for the program, and will allocate funding to the subprojects.<sup>7</sup> The PEU will consist of: (i) a technical team, comprised of the

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<sup>7</sup> The PEC will have the following members: Dean of the College of Business Administration of the University of the Andes; the Deputy Minister for Business Development of the Ministry of Industry and Commerce; the National Deputy Director for Planning; the President of ACOPI; the President of ANDI; an outstanding businessperson chosen by the other members. The Executive Director of the PEU will act as the secretary of the PEC (Operating Regulations, paragraph 2.1).



- program's Executive Director, the Operations Manager, a financial and administration officer, and assistants or project officers, the number of whom will vary depending on the requirements of each component during program implementation; (ii) a technical committee to analyze the subprojects in their different phases and make recommendations to the PEC for approval or rejection of subprojects, and for the Bank's nonobjection. The makeup of the Technical Committee is described in the Operating Regulations (paragraph 2.3). The main functions of the PEU are to get the program up and running, to train the subproject promoting entities' human resources; to implement the operating mechanism (operating regulations and procedures manuals); to provide technical support to the sponsor entities in the design, formulation and execution of the subprojects; and to administer and monitor subproject execution.
- 5.4 The sponsor entity will design the subproject jointly with the beneficiaries and will submit it to the executing agency. Trade associations that work with business clusters (such as chambers of commerce), nongovernmental organizations, academic centers and business associations are all eligible to act as sponsor entities and to take responsibility for subproject execution. Further details on this function and eligibility and selection criteria are spelled out in the Operating Regulations and annexes thereto.
- 5.5 **Degree of program readiness.** The University of the Andes has been pressing ahead with preparations for the project, in constant dialogue with the sponsor entities of the two forerunner projects, the Chamber of Commerce of Bogota, and the Production Development Corporation for leather, footwear and leather goods, Cuenca Valley (paragraph 3.10). This has made it possible for fine-tune the process design and the modules used in the three stages established for the selection process (paragraph 3.2.2 of the Operating Regulations).
- 5.6 **Execution period and disbursement schedule.** The execution period is estimated at 48 months, and disbursement at 54 months.
- 5.7 **Procurement and contracting.** The University of the Andes and the sponsor entities that will carry out the subprojects will undertake the procurement of goods and services required for project execution in accordance with Bank and MIF policies and procedures. The Bank will conduct ex post verification of compliance with the rules and procedures for contracting and procurement in amounts below US\$30,000. The great number and variety of contracts involving small amounts that will be financed under the various subprojects justify this approach.
- 5.8 It is recommended that an exception to the Bank's policy on the procurement of consulting services (document GN-2220-10 of 6 February 2004) be granted to allow the direct contracting of Mr. Jorge Ramírez Vallejo as an individual

consultant, who will act as program director.<sup>8</sup> Since Mr. Ramírez currently works at the University of the Andes as Director of the Competitiveness Center,<sup>9</sup> a waiver is also requested with regard to the provisions in section 4.06(a) of the aforementioned document. The program director will be responsible for strategic direction, the development of institutional relations, and management of the selection process, coordinating the work of the Technical Committee and the Program Executive Council. On this basis, the profile and background of the current Director of the Competitiveness Center are considered the most suitable to guide the work of implementing the proposed institutional mechanism and consolidate a network of institutional relations essential for the success and future sustainability of the program.

- 5.9 The proposed hiring takes into account that the proposal prepared by the Competitive Center of the University of the Andes for program execution was selected among a total of four proposals received, in a competitive process under which a total of five nationally recognized institutions were invited to participate (paragraph 5.1).

## **VI. MONITORING AND EVALUATION**

### **A. Monitoring**

- 6.1 The University of the Andes will prepare and submit progress reports to the Bank's Country Office in Bogota within 30 days after the end of each six-month period, and a final report within 30 days after the last disbursement, following the format agreed upon with the Bank, which will describe project activities, financial aspects, and the outcomes, according to the logical framework.

### **B. Evaluation**

- 6.2 The Bank will hire individual consultants with expertise in productive integration to conduct two evaluations of the project (the Country Office will coordinate with the person responsible for the MIF project cluster). Once the first disbursement is approved, the executing agency will contract the consulting services needed to define the monitoring system and the approach to defining the baseline for the subprojects, subject to the Bank's nonobjection. The system will be based on the MIF cluster monitoring system, so that it will be compatible with other projects.

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<sup>8</sup> During the first two years of program execution, the MIF will finance 66.7% of the cost related to the director. In year three, the entire cost will be covered through local counterpart contributions, which is consistent with the goal of making the program sustainable.

<sup>9</sup> Mr. Ramírez-Vallejo has a PhD in Applied Economics from the University of Minnesota. He has been Chairman and member of various public and private sector executive boards in Colombia. He is currently the Director of the Competitiveness Center of the University of the Andes and Visiting Research Scholar, Harvard University.

Each subproject will have specific indicators, according to the activities called for in the contract between the executing agency and the first-tier institutions. The specific indicators will be constantly monitored by the executing agency, and the subproject executors will cover progress in their semiannual reports, which will be consolidated and presented to the Bank by the executing agency in its semiannual reports. The logical framework in Annex I provides detailed indicators for program execution, monitoring and evaluation. Those evaluations, particularly the second, will be based in large part on the outcome of the evaluations of the subprojects and the information collected by the monitoring system.

- 6.3 An initial midterm evaluation will be conducted when 50% of the MIF funding has been disbursed, or 24 months after the first disbursement. This evaluation will consider, at least, the following aspects: (i) the performance of the indicators in the logical framework; (ii) the efficiency and effectiveness of the project selection and support mechanism instituted by the executing agency; (iii) the degree of progress in implementation of the subprojects supported; (iv) the executing agency's institutional capacity and that of other institutions involved in the program; (v) compliance with the *pari passu* requirements for the counterpart contribution; (vi) compliance with the environmental and workplace safety standards applicable in the country; and (vii) the steps being taken to assure the project's sustainability. This report must indicate any corrective measures needed to ensure proper execution of the program. Based on this evaluation, the Bank will determine whether the project should continue, be suspended, or be canceled.
- 6.4 The second evaluation will be conducted when 95% of the funding has been disbursed, and will examine: (i) the degree of compliance with the program's specific goals and objectives; (ii) user satisfaction; and (iii) the degree of sustainability of activities promoted by the program, at the level of the firm (including compliance with environmental and workplace safety standards) and at the level of the cluster supported by the subprojects, as well as at the level of the cluster promotion mechanism.

## **VII. BENEFITS AND RISKS**

### **A. Benefits and direct impact**

- 7.1 **Expected results and impact.** At the end of the project, it is expected that the competitive performance of firms in at least eight subprojects will have improved significantly with respect to the baseline, as a result of the group actions and the development of competitive advantages stemming from the program. In addition, efforts will be made for the second-tier mechanism to be sustainable and support new clusters after MIF support ceases.

## **B. Beneficiaries**

- 7.2 The project will improve the competitive performance of at least 400 firms, of which at least 350 will be SMEs in various industries that have the potential to improve their output, to export, and to create jobs, but that will have difficulty competing in markets without strengthening the cluster, i.e. without developing competitive advantages of location and business strategies based on collective efficiency. In addition, the project will operate in various Colombian regions, contributing to their productive development.

## **C. Risks**

- 7.3 **The executing agency could allocate funds to clusters without full transparency in their management.** To mitigate this risk, the proposed mechanism for the project stresses transparency in the management of the second-tier entity, a broad-based process of program dissemination under its first component, the obligation to be accountable to the program's executive council (PEC), and the need for the Bank's nonobjection in the main stages of the subproject evaluation and selection process. As well, a project information system with public access will be implemented and the results of the notices of competition and PEC minutes will also be made available to the public.
- 7.4 **Insufficient number of high-quality projects vis-à-vis availability of program funds.** This risk was mitigated since, at the identification stage, the quantity and quality of projects potentially eligible for the program was deemed satisfactory. As well, the outreach activities called for in the first component will help to mitigate this risk.
- 7.5 **The second-tier mechanism could turn out to be unsustainable after MIF support ends.** The Colombian government has declared its interest in using this instrument, if it proves successful, to mobilize funds and know-how for strengthening the country's small and medium-sized enterprises. The University of the Andes is interested in consolidating the second-tier mechanism as an integral part of its new Competitiveness Center, so as to generate knowledge on cluster initiatives.

## **VIII. ENVIRONMENTAL AND SOCIAL ANALYSIS**

- 8.1 The evaluation and selection checklists for the subprojects include, among the critical selection factors, the environmental sustainability of the cluster. One of the criteria to be considered in the evaluation is that the subproject must have a positive or neutral environmental impact, and that the environmental impact associated with its activity must be properly managed. Environmental guidelines for the project

have been included in the Operations Manual, and represent an adaptation of the environmental guidelines established by the MIF for investment projects.

- 8.2 The executing agency, as part of the project evaluation and monitoring system, will record the characteristics of the beneficiary entrepreneurs, including gender aspects, in order to identify any differences in project performance and extract eventual lessons. In order to take advantage of the MIF cleaner production project, the executing agency will establish regular channels of communication with the agencies involved in that operation, the National Center for Cleaner Production and Environmental Technologies and the Regional Cleaner Production Nodes.

## **IX. SPECIAL CONTRACTUAL CONDITIONS**

- 9.1 As conditions precedent to the first disbursement, the executing agency will present to the Bank's satisfaction evidence that: (i) the Program Operations Manager has been selected, in accordance with Bank procedures; (ii) the program's Executive Council has been established; (iii) the Executive Council has approved the program's Operating Regulations; and (iv) the program executing unit has been established. The University of the Andes undertakes to submit to the Bank's satisfaction, during the first three months of program execution, the schedule of disbursements and a plan of activities for the first year of the program, once this has been approved by the Executive Council.
- 9.2 The disbursement of funds earmarked for the second component may only begin when the respective participation agreements between the University of the Andes and the entities sponsoring the forerunner subprojects have been signed. Each participation agreement will require the Bank's nonobjection prior to signature.

## SUPPORTING CLUSTER COMPETITIVENESS IN COLOMBIA LOGICAL FRAMEWORK

Summary of Objectives	Indicators	Means of Verification	Assumptions
<b>Goal</b>			
To create a public-private institutional mechanism to mount and run a competitive-access support program for cluster development, with nationwide coverage, that will demonstrate verifiable increases in the competitiveness of participating firms	<p>In the third year after project completion:</p> <ol style="list-style-type: none"> <li>At least 15 clusters have been or are being supported through the mechanism implemented by the project.</li> <li>The clusters supported by the project have increased their share in all markets targeted in their development strategy, as compared to the baseline.</li> <li>The average productivity of SMEs participating in the cluster projects supported by the program has increased 25% over the baseline.</li> </ol>	<ol style="list-style-type: none"> <li>Annual management reports of the Competitiveness Center of the University of the Andes.</li> <li>Cluster performance reports prepared by sponsor entities.</li> <li>Industrial statistics.</li> <li>Ex post monitoring reports for the project from the Competitiveness Center of the University of the Andes.</li> </ol>	<p>Stable macroeconomic environment.</p> <p>The outcome of the free-trade negotiations with the United States/FTAA and other free-trade treaties that Colombia signs is favorable to the sectors in the project-supported clusters.</p> <p>The government and other sectors maintain or increase their interest in supporting the competitiveness of Colombia's clusters.</p>
<b>Purpose</b>			
<ol style="list-style-type: none"> <li>To implement a competitively awarded cluster development support program, using efficient and transparent procedures and promoting partnerships among firms, mainly through sponsor entities established in the clusters.</li> </ol>	<p>At the end of the project:</p> <ol style="list-style-type: none"> <li>There is full documentation on the mechanism's operating procedures that can be disseminated and replicated.</li> <li>At the end of the project, the Competitiveness Center of the University of the Andes is recognized nationally as the leading institution for promoting cluster competitiveness.</li> <li>At least 400 firms actively involved in cluster subprojects and investing resources in the cluster subprojects supported by the project.</li> </ol>	<ol style="list-style-type: none"> <li>Management Information System (MIS) for the project.</li> <li>Midterm and final independent evaluation report. To measure national awareness of the Competitiveness Center, the final report will include an opinion survey conducted among first-tier institutions, project participants and nonparticipants alike, and an analysis of references to the program in the press and specialized journals.</li> <li>Progress reports and final report of the executing agency.</li> </ol>	<p>The demand and prices of products/services associated with the subprojects do not deteriorate unexpectedly.</p> <p>Commercial integration policy is maintained.</p> <p>Additional resources are identified to support the mechanism's sustainability.</p>

Summary of Objectives	Indicators	Means of Verification	Assumptions
		4. Proceedings of the “Sustainability Workshop” that will be held 12 months before the end of project execution.  5. Proceedings of the “Completion Workshop” for the project, to be held three months before the end of project execution.  6. PPMR 7. PCR	
<b>Components/Products</b>			
<b>Component 1:</b> Implementation of a mechanism for selecting and supporting cluster projects.	At the end of the project's first year: 1. At least 30 strategic proposals for strengthening clusters have been submitted through the competitions conducted by the executing agency. 2. At least 15 first-tier institutions have been trained in cluster analysis. 3. Between 15 and 20 proposals have met the minimum requirements to move to the second phase of the subproject selection process. 4. At least eight subprojects have been selected and have an outcome indicators system 5. At least 40 entrepreneurs and four operators in four economically less developed regions have been familiarized with the program's features and at least two have submitted financing proposals.	1. Quarterly management reports submitted by the Technical Committee. 2. Executive Council minutes 3. Reports from the subprojects management and monitoring system 4. Progress reports and final report from the executing agency 5. PPMR 6. PCR 7. Interim and final evaluations	Firms and other institutions are interested and participate.  Qualified training personnel are available.  The Executive Council is effective at institutional coordination

Summary of Objectives	Indicators	Means of Verification	Assumptions
<b>Component 2:</b> Execution of cluster and business network subprojects	<p>Within 48 months after project startup, in each of the project-supported clusters, improvements have been made in the performance indicators with respect to the baseline: The specific indicators will be defined jointly by the PEU and the operators prior to signature of the support contract with each cluster, with respect to the baseline and based on the improvement plans. The minimum indicators to be considered are:</p> <ol style="list-style-type: none"> <li>1. The number of firms participating in the subprojects is on average 30% higher than at the beginning of execution.</li> <li>2. The productivity of participating businesses increases (value of production per employee) on average 15% per subproject.</li> <li>3. The value of goods and services exported by each cluster is on average 20% higher (for tradable goods and services).</li> <li>4. The value of services contracted by cluster businesses from support institutions (universities, technology innovation centers, etc.) that participate actively in the cluster increases by at least 20%.</li> </ol>	<ol style="list-style-type: none"> <li>1. Quarterly reports presented by the Technical Committee.</li> <li>2. Sponsor entity reports</li> <li>3. Minutes of the Executive Council</li> <li>4. Accounting records of the businesses</li> <li>5. Surveys conducted by the CPIs among a sample of cluster firms</li> <li>6. Reports from the subprojects management and monitoring system</li> <li>7. Interim and final evaluations</li> <li>8. Progress reports and final report from the executing agency</li> <li>9. Proceedings of the “Completion Workshop”</li> <li>10. PPMR</li> <li>11. PCR</li> </ol>	<p>Firms are willing and able to pay</p> <p>The executing agency monitors the quality of technical assistance services.</p> <p>Firms are interested in participating in training and technical assistance events</p> <p>Firms are willing to engage in joint activities</p> <p>Information is available at the firm level</p>
<b>Component 3:</b> Monitoring, evaluation and dissemination of lessons learned	<ol style="list-style-type: none"> <li>1. Six months after project startup there is a web-enabled monitoring and evaluation system in operation.</li> <li>2. At 36 months, four analytical studies have been completed on lessons learned.</li> <li>3. At 40 months an international seminar has been held on lessons learned.</li> <li>4. At 42 months the lessons learned about productive integration have been documented.</li> </ol>	<ol style="list-style-type: none"> <li>1. Number of web page visitors.</li> <li>2. Publications on lessons learned</li> <li>3. Proceedings of the international seminar</li> <li>4. Interim and final evaluations</li> <li>5. Progress reports and final report from the executing agency</li> <li>6. PPMR</li> <li>7. PCR</li> </ol>	<p>Firms are willing and able to pay.</p> <p>The executing agency is effective in monitoring the quality of technical assistance services.</p> <p>Firms are interested in participating in training and technical assistance events.</p> <p>Firms show a willingness to engage in joint activities</p>



Summary of Objectives	Indicators	Means of Verification	Assumptions
			<p>Information is available at the firm level.</p> <p>For subprojects that include efforts to improve the business environment, the government or the players responsible for generating changes have the political will and the capacity to achieve them.</p>
<b>Activities/Inputs</b>			
<b>Component 1</b>  1.1 Establishment of the Executive Council and the Technical Committee  1.2 Preparation of the outreach plan  1.3 Dissemination of the program in other regions of the country	Budget: \$484,600 a. MIF: \$253,600 b. Counterpart: \$214,200  1.1 The Executive Council and the technical committee are installed within two months of program startup  1.2 Three months into the program the outreach plan has been developed, with general criteria defined by the Council, including coverage and content criteria.  1.3 A) Six months into the program, at least seven meetings have been held in various regions of the country to illustrate the objectives and procedures of participating in the program and to answer concerns of potential beneficiaries and sponsor entities.  1.3 B) 12 months into the program, at least 40 entrepreneurs and four operators in three economically less developed regions have been familiarized with the features of the program, and at least two of them have submitted financing proposals.	1. Progress reports and final report of the executing agency 2. Minutes of the Executive Council 3. Minutes of meetings in other regions of the country 4. Contracts with sponsor entities 5. Outreach Plan 6. PPMR 7. PCR 8. MIS	<p>The executing agency implements the project effectively and there are no delays in the contracting of consulting services.</p> <p>The counterpart contribution is made in a timely manner.</p> <p>Other institutions and firms/clusters show interest in the activities</p>

Summary of Objectives	Indicators	Means of Verification	Assumptions
<p>1.4 Establishment of the web page</p> <p>1.5 Identification and selection of cluster proposals.</p> <p>1.6 Personnel training.</p>	<p>1.4 Six months into the program, the web page is operational.</p> <p>1.5 10 months into the program, at least 50 proposals for cluster support have been received; by 12 months at least eight project proposals have been improved.</p> <p>1.6 At 12 months, 30 employees of first-tier institutions have been trained in cluster analysis.</p>		
<p><b>Component 2</b></p> <p>1.1 Execution of subproject work plans</p>	<p>Budget: \$4,612,000 a. MIF: \$2,626,000 b. Counterpart: \$1,986,000</p> <p>12 months into the program:</p> <p>2.1 Contracts have been signed with at least 4 sponsor entities.</p> <p>16 months into the program:</p> <p>2.2 At least 50 firms have received technical assistance and/or training relating to the strategy proposed in the subprojects.</p> <p>24 months into the program:</p> <p>2.3 Contracts have been signed with at least eight sponsor entities</p> <p>2.4 At least 30 firms are working cooperatively (for example in purchasing, use of machines and facilities, etc.)</p> <p>2.5 Joint marketing of the products and services of participating clusters is underway in those subprojects that call for this activity.</p> <p>36 months into the program:</p> <p>2.6 At least 80 firms are engaged in joint activities</p>	<p>1. Progress reports and final report of the executing agency</p> <p>2. PPMR</p> <p>3. PCR</p> <p>4. Records of cluster support approvals</p> <p>5. Project evaluation and monitoring system</p>	

Summary of Objectives	Indicators	Means of Verification	Assumptions
	2.7 In the subprojects that call for specific activities to enhance productivity, 100 firms have increased their productivity by at least 10% and have reduced their costs by 5%		
<b>Component 3</b>  3.1 Design and implementation of the subprojects management and monitoring system. 3.2 Baseline evaluation for each cluster. 3.3 Interim and final evaluation of subprojects. 3.4 International seminars for disseminating experience and lessons learned. 3.5 Preparation of reports on lessons learned	Budget: \$365,400 a. MIF: \$266,600 b. Counterpart: \$98,800  3.1 At nine months, the Web-enabled monitoring and evaluation system is designed and functioning. 3.2 At 36 months, four analytical studies of lessons learned have been completed 3.3 At 40 months, an international seminar on lessons learned has been held 3.4 At 42 months, the lessons learned are documented 3.5 Within three months of the end of project execution, the competitiveness indicators that will be used in the ex post evaluation of the project's impact have been developed.	1. Progress reports and final report of the executing agency 2. PPMR 3. PCR 4. Web page 5. Publications on lessons learned 6. Proceedings of the international seminar 7. Final operating regulations 8. Consultants' reports 9. MIS	

**Supporting Cluster Competitiveness  
CO-M1002  
BUDGET-ANNEX II**

ITEM	Quantity	Unit Cost	Unit	Total	MIF Contrib.	Local. Contrib.	Local contribution		TOTAL (US\$)	
							In kind	In cash		
1. Executing Agency				438,000	223,800	214,200	73,400	140,800	438,000	7%
University directors	0.02	10,000	48	9,600		9,600	9,600		9,600	0%
Executive Director	0.67	4,500	48	144,000	72,000	72,000		72,000	144,000	2%
Program Operations Manager	0.50	3,300	48	79,200	79,200				79,200	1%
Financial accounting assistant	1.00	700	48	33,600	33,600				33,600	1%
Administrative assistant	1.00	500	48	24,000	24,000				24,000	0%
Legal adviser	0.25	2,500	48	30,000		30,000	30,000		30,000	1%
Legal consultants	0.10	2,500	48	12,000		12,000		12,000	12,000	0%
Travel and per diem	1.00	250	60	15,000	15,000				15,000	0%
Office rental	1.00	600	48	28,800		28,800	28,800		28,800	0%
Office support (telephones, supplies, cleaning, etc.)	1.00	1,000	48	48,000		48,000		48,000	48,000	1%
Office furnishings	1.00	3,000	1	3,000		3,000		3,000	3,000	0%
Office equipment (PC and accessories)	10.00	1,000	1	10,000		10,000	5,000	5,000	10,000	0%
Purchase of specialized publications	2.00	100	4	800		800		800	800	0%
2. Component I. Implementation of the cluster project selection and support mechanism				484,600	253,600	231,000	64,500	166,500	484,600	8%
Executive Director (years 1 and 2)	0.33	4,500	24	36,000		36,000		36,000	36,000	1%
Program Operations Manager	0.50	3,300	48	79,200	79,200				79,200	1%
Project officers	2.00	700	46	64,400	64,400				64,400	1%
Training and attendance at seminars for the Executing Agency	1.00	20,000	4	80,000	20,000	60,000	10,000	50,000	80,000	1%
Support for Technical Committee work and sessions	1.00	1,200	15	18,000	15,000	3,000	3,000		18,000	0%
Project assistants (graduate students)	1.00	500	50	25,000	25,000				25,000	0%
Senior external advisers	1.00	300	100	30,000	15,000	15,000		15,000	30,000	1%
Senior university advisers	1.00	300	50	15,000		15,000	15,000		15,000	0%
Travel and per diem for project executives and advisers	1.00	250	60	15,000	15,000				15,000	0%
Program launch event	1.00	3,500	1	3,500	3,000	500	500		3,500	0%
Program outreach events	1.00	500	7	3,500	2,000	1,500		1,500	3,500	0%
Program outreach materials	1.00	7,000	2	14,000	5,000	9,000	5,000	4,000	14,000	0%
Media announcements of competitions	1.00	8,000	2	16,000	7,000	9,000	2,000	7,000	16,000	0%
Web site design	1.00	9,000	1	9,000	3,000	6,000	3,000	3,000	9,000	0%
Web site maintenance	1.00	1,000	4	4,000		4,000	4,000		4,000	0%
Training seminars for sponsor entities	1.00	8,000	9	72,000		72,000	22,000	50,000	72,000	1%
3. Component II. Implementation of cluster subprojects and business networks				4,612,000	2,626,000	1,986,000	978,000	1,008,000	4,612,000	78%
Forerunner subproject: Salud Capital				479,200	279,600	199,600	89,800	109,800	479,200	8%
- Management and administration	1.00	2,200	36	79,200	39,600	39,600	19,800	19,800	79,200	1%
- Component 1: business associations (management of networking)				100,000	70,000	30,000	15,000	15,000	100,000	2%
- Component 2: productivity and quality				120,000	70,000	50,000	25,000	25,000	120,000	2%
- Component 3: research and technological development				120,000	70,000	50,000	15,000	35,000	120,000	2%
- Component 4: marketing				60,000	30,000	30,000	15,000	15,000	60,000	1%
Forerunner subproject: leather and footwear cluster in Cali				459,200	269,600	189,600	89,800	99,800	459,200	8%
- Management and administration	1.00	2,200	36	79,200	39,600	39,600	19,800	19,800	79,200	1%
- Component 1: development of international markets				100,000	60,000	40,000	20,000	20,000	100,000	2%
- Component 2: productive integration and linkages				80,000	50,000	30,000	15,000	15,000	80,000	1%
- Component 3: innovation and productivity				80,000	50,000	30,000	15,000	15,000	80,000	1%
- Component 4: development of critical inputs				100,000	60,000	40,000	10,000	30,000	100,000	2%
- Component 5: management model				20,000	10,000	10,000	10,000		20,000	0%
Other subprojects				3,673,600	2,076,800	1,596,800	798,400	798,400	3,673,600	62%
- Management and administration	8.00	2,200	36	633,600	316,800	316,800	158,400	158,400	633,600	11%
- Components	8.00	380,000	1	3,040,000	1,760,000	1,280,000	640,000	640,000	3,040,000	51%

ITEM	Quantity	Unit Cost	Unit	Total	MIF Contrib.	Local. Contrib.	Local contribution		TOTAL (US\$)	
							In kind	In cash		
<b>4. Component III. Monitoring, evaluation and dissemination of lessons learned</b>				<b>365,400</b>	<b>266,600</b>	<b>98,800</b>	<b>17,100</b>	<b>81,700</b>	<b>365,400</b>	<b>6%</b>
Design and implementation of the Management Information System	1.00	15,000	1	15,000	15,000				15,000	0%
Baseline evaluation	10.00	4,000	1	40,000	30,000	10,000	10,000		40,000	1%
Interim evaluation of subprojects	10.00	3,200	1	32,000	16,000	16,000		16,000	32,000	1%
Final evaluation of subprojects	10.00	7,000	1	70,000	35,000	35,000		35,000	70,000	1%
Preparation of thematic documents	4.00	8,100	1	32,400	16,000	16,400		16,400	32,400	1%
International seminar: sustainability and lessons learned	1.00	20,000	1	20,000	13,600	6,400	2,100	4,300	20,000	0%
External program evaluation	1.00	21,000	1	21,000	21,000				21,000	0%
Annual program audits	1.00	30,000	4	120,000	120,000				120,000	2%
Coordination and monitoring workshops with sponsor entities	1.00	5,000	3	15,000		15,000	5,000	10,000	15,000	0%
<b>Total</b>				<b>5,900,000</b>	<b>3,370,000</b>	<b>2,530,000</b>	<b>1,133,000</b>	<b>1,397,000</b>	<b>5,900,000</b>	<b>99%</b>
<b>Contingencies</b>				<b>40,000</b>	<b>40,000</b>				<b>40,000</b>	<b>1%</b>
<b>Total Program</b>				<b>5,940,000</b>	<b>3,410,000</b>	<b>2,530,000</b>	<b>1,133,000</b>	<b>1,397,000</b>	<b>5,940,000</b>	<b>100%</b>
					57%	43%	19%	24%	100%	
Monitoring of the MIF networks cluster	1.00	10,000	4	40,000	40,000				40,000	
<b>Total program, including monitoring of MIF networks cluster</b>				<b>5,980,000</b>	<b>3,450,000</b>	<b>2,530,000</b>	<b>1,133,000</b>	<b>1,397,000</b>	<b>5,980,000</b>	
					58%	42%	19%	23%	100%	

## SUPPORTING CLUSTER COMPETITIVENESS (CO-M1002)

### A. Similar or related MIF projects

Project number / date of approval	Project name, executing agency, and amount	Date of signature and disbursement period, in months	Percentage disbursed	Comments
ATN/ME-4911-CO 18 April 1995	Business Development Centers (CDE)  Confederación de Cámaras de Comercio de Colombia (CONFECAMARAS)  US\$5,967,000	19 October 1995  60 months (an extension of up to 24 months was granted.)	100%	Five centers were established in Bogota, Cali, Medellín, Bucaramanga, and Barranquilla, which surpassed the target and had a positive impact on SMEs. The project also enhanced quality, with over 100 SMEs receiving ISO 9000 certification. The anticipated sustainability was not achieved, however a level of over 70% was obtained.
ATN/ME-7856-CO 1 May 2002	Promotion of cooperative ventures between firms  Asociación Colombiana de Pequeñas y Medianas Empresas (ACOPI)  US\$1,092,400	7 June 2002  42 months	42%	The midterm evaluation showed that there was significant progress in the components, and SMEs' developed awareness about forging strategic partnerships. At this time, ACOPI must become more engaged with the SMEs in order for the program to achieve appropriate levels of sustainability.
ATN/ME-8204-CO 21 February 2003	Santander jewelry sector competitiveness program  Centro de Desarrollo de la Joyería en Santander  US\$375,000	25 April 2003  48 months	10%	Thus far, program execution has been adequate. The government has lent its support through the national plan to support the jewelry sector. There is also a competitiveness agreement for the jewelry supply chain.

### B. Similar or related Bank projects

### C. Production integration cluster projects

Project number / date of approval	Project name, executing agency, and amount	Date of signature and disbursement period, in months	Percentage disbursed	Comments
ATN/ME-7203-CO 17 October 2000	Isabella grape agrobusiness project  Fundación Carvajal  US\$1,111,947	16 February 2001  42 months	77%	There were delays at the outset. Nonetheless, most of the planned activities have achieved the programmed targets.
ATN/ME-7468-CH 27 June 2001	Integrating microenterprise production  SERCAL  US\$1,092,000	9 August 2001  42 months	63%	It took eight months to fulfill the conditions precedent to the first disbursement. The third component is now being implemented. The midterm evaluation recommended that the executing agency strengthen its management.
ATN/ME-7927-BR 26 June 2002	Development of industrial districts	10 September 2002  42 months	10%	While disbursements have been slow, the components begun by the

<b>Project number / date of approval</b>	<b>Project name, executing agency, and amount</b>	<b>Date of signature and disbursement period, in months</b>	<b>Percentage disbursed</b>	<b>Comments</b>
	SEBRAE US\$2,075,000			counterpart agency are being executed.
ATN/ME-8112-AR 20 November 2002	Production clusters in the Province of Cordoba ADEC US\$1,082,640	27 March 2003 42 months	9.2%	Execution is proceeding without any delays or substantive changes.
ATN/ME-8291-RG 30 April 2003	Central American Competitiveness Program INCAE US\$5,000,000	17 June 2003 54 months	1%	The executing agency is preparing the annual work plans and negotiating counterpart contributions with entities in the region.
ATN/ME-8432-ME 10 September 2003	Development of Production Chains to Promote Export- oriented SMEs in Guanajuato COFOCE-CIEX US\$1,000,000	1 December 2003 42 months	0%	The executing agency is working to meet the conditions precedent to the first disbursement.
ATN/ME-8456-DR 1 October 2003	Increasing the Competitiveness of MSMEs in Santiago de los Caballeros AIREN US\$566,000	16 October 2003 42 months	10%	Project activities are beginning.
ATN/ME-8616-PE 21 January 2004	Development of Business Networks in the Garment- Making (Gamarra) and Tourism (Cuzco) Clusters Comisión de Promoción de la Pequeña y Micro Empresa (Prompyme) US\$970,000	23 March 2004 42 months	N/A	The executing agency is working to meet the conditions precedent to the first disbursement.
ATN/ME-8541-UR December 2003	Development of Business Networks in the Wine and Grape-Growing Sector Asociación de Bodegas Exportadoras de Vinos Finos de Uruguay (ABE) US\$500,000	23 December 2003 42 months	10%	Project activities are beginning.
ATN/ME-8601-UR January 2004	Strengthening the Nandu Production Chain Asociación Uruguaya de Criadores del Ñandú (A.U.CRI.ÑA) US\$463,000	42 months	0%	The project is not yet being executed, because the executing agency is working to meet the conditions precedent to the first disbursement.